

BEFORE THE
ILLINOIS COMMERCE COMMISSION

Illinois-American Water Company	:	
	:	
Application for Approval of its Annual	:	
Reconciliation of Purchased Water and	:	Docket No. 06-0196
Purchased Sewage Treatment Surcharges	:	
Pursuant to 83 Ill. Adm. Code 655	:	

Supplemental Direct Testimony of
Scott J. Rubin

on behalf of

The People of the State of Illinois
and
Village of Homer Glen

October 17, 2006

1 **Q. Please state your name.**

2 A. My name is Scott J. Rubin.

3 **Q. Have you previously prepared testimony in this case?**

4 A. Yes, my direct testimony on behalf of by the Office of Attorney General (AG) and the
5 Village of Homer Glen (HG) was filed on July 18, 2006.

6 **Q. What is the purpose of this supplemental direct testimony?**

7 A. This supplemental testimony will provide changes and updates to my direct testimony to
8 reflect information that Illinois-American Water Company (IAWC or Company) has
9 provided in the past three months. This testimony will present my revised
10 recommendations for the Company's Purchased Water (PW) and Purchased Sewage
11 Treatment (PS) surcharges for the current year.

12 **Q. Please briefly review the major issues raised in your direct testimony.**

13 A. My direct testimony raised three major issues with IAWC's purchased water and sewer
14 filings, many of which deal with unaccounted-for water (UFW):

15 Negative UFW: The Company's metering records did not appear to be accurate,
16 with some service areas showing that they sold more water than they purchased.

17 High UFW: Some service areas had high levels of UFW which should not be
18 charged to customers.

19 Country Club Sewer: The Country Club sewer service area's rates should be
20 reduced because of a recent upgrade in the storm sewer system in the community.

21 **Q. Has IAWC addressed these issues in data responses and testimony filed after your**
22 **direct testimony was filed?**

23 A. Yes, the Company has addressed these issues in several ways. IAWC has provided
24 corrected data for several service areas, implemented previous tariff limitations on the
25 recovery of UFW, and filed amended reconciliation exhibits for several service areas.
26 Specifically:

27 IAWC addressed negative UFW by reviewing its records, accurately compiling
28 information from its records, and correcting the billing units in some service areas.

29 IAWC addressed my concerns with high UFW by reinstating a tariff that limits
30 the amount of UFW it can recover from customers in each service area, and applying the
31 change to the 2005 year that is being reconciled in this case. The tariff was in place for
32 the prior owner of these systems (Citizens Utilities), but apparently was cancelled by
33 IAWC after it acquired the systems. It appears that the IAWC erroneously cancelled this
34 portion of the tariff, since the limits on UFW were contained in the original ICC orders
35 that allowed Citizens to implement purchased water surcharges.

36 IAWC filed a new calculation for Country Club sewer which reduced wastewater
37 flows (and rates) by an even greater amount than I recommended. This amendment was
38 filed before my testimony was prepared, but it had not been served on the parties to this
39 case so I did not become aware of it until after my testimony was filed.

40 **Q. Has IAWC addressed all of your concerns?**

41 A. No, the Company has not addressed all of my concerns. In particular, I continue to have
42 serious concerns about the care that IAWC takes with its metering, billing, and

accounting records. I am also concerned about the level of UFW the Company continues to experience in areas where it purchases water. Wasting purchased water can be extremely expensive. Even though IAWC has now reinstated the tariffs that restrict the amount of UFW it can charge to customers, UFW still represents wasted money that the Company could be spending to improve customer service.

Q. What do you recommend?

A. My recommendations are two-fold. For purposes of this case – the annual PW and PS reconciliation case – I recommend that IAWC’s most recently filed rates should be allowed to take effect. Those rates are summarized in the last column of following table.

(All rates are \$/1000 gallons, except for fixed charges, which are \$/month)

	4/1/05	IAW Original	AG Proposed	IAW Latest
Alpine Heights	2.45	2.94	2.88	2.94
Chicago Suburban				
Variable	1.36	1.43	1.46	1.43
Fixed	11.82	10.33	9.53	10.33
DuPage County				
Variable	1.96	1.66	1.83	1.58
Fixed	6.39	5.77	3.60	5.77
Fernway	2.36	2.19	2.14	2.19
Moreland	1.43	1.34	1.33	1.34
Southwest Suburban	3.87	3.70	3.43	3.56
Waycinden	4.07	4.19	4.19	4.19
Country Club Sewer (fixed)	34.75	34.75	26.67	15.62

In future cases, I recommend that the Commission continue to closely review IAWC’s reconciliation filings and metering records to ensure that the reconciliations are prepared using accurate data. I also recommend that the Commission monitor IAWC’s

58 efforts to reduce UFW, including carefully reviewing the UFW filings the Company is
59 required to make before the end of 2006 under a new statute, 220 ILCS 5/8-306(m).

60 **Q. Does this conclude your supplemental testimony?**

61 A. Yes, it does.